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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's Own Motion into the Service
Quality Standards for All Telecommunications
Carriers and Revisions to General Order 133-B.

F I L E D
PUBLIC UTILITIES COMMISSION
June 18, 1998
SAN FRANCISCO OFFICE
R.98-06-029

ORDER INSTITUTING RULEMAKING

In this order we initiate a proceeding to determine the types of service quality standards that should be applicable to telecommunications carriers, what the applicable technical standards should be, what means should be used to measure compliance with such standards, what mechanisms should be utilized to ensure compliance with the standards established, and whether these standards should apply equally or at all to both dominant and non-dominant carriers.

We are taking this action mindful that the State of California and this Commission remain fully committed to our on-going goal of opening all telecommunications markets to competition and that we have made significant progress in accomplishing this goal. While in many respects we anticipate that the pressures inherent in a competitive marketplace will ultimately be the major driving force to ensure that high levels of service quality will prevail, we wish to ensure both in this transitional period and in the long term that customers are assured of certain minimal quality standards that all competing carriers will need to achieve. This is consistent with our policies since we have moved to open telecommunications markets.

For example in our initial decision establishing the new regulatory framework for Pacific Bell and GTE California Incorporated (GTEC) we noted “availability of high quality services” as a critical component of our Universal Service goal. (Decision (D.) 89-10-031, 33 CPUC2d 43 at 92.) In that order, we established a monitoring program to ensure that service quality was maintained or improved as we transitioned to fully competitive markets. Then, in D.94-06-011, our decision in the first triennial review of the new regulatory framework, we once again explored “how customer service has fared under [the New Regulatory Framework] compared to service quality under traditional cost-of-service regulation.” (55 CPUC2d 1 at 52-53.) As part of that decision, the Commission approved a settlement in which GTEC stipulated to the Office of Ratepayer Advocates’ (ORA) recommendations for improving service quality, including a Service Assurance Guarantee Program that provided for a refund to ratepayers if certain service-quality standards were not met. Pacific and ORA also reached an agreement under which Pacific was to submit to increased monitoring of certain service-quality measures.

Given the tight focus of our second triennial review of the new regulatory framework in 1995, as well as the ongoing review in Rulemaking (R.) 98-03-040, we have not explored the issue of service quality in a generic proceeding since 1994. Further, over the past year there has been a great deal of attention focused on customer allegations that the quality of services provided by telecommunications carriers is deteriorating. These concerns have been addressed in both informal and formal complaints filed at the Commission, in Legislative hearings and in other public media. These have addressed such issues as delays in securing installation and repair services, and waiting times in reaching customer service representatives.

We wish to emphasize, however, that although we move today to explore the concerns described above, we do so mindful of the fact that the market for telecommunications services in California is becoming more competitive every day. Our rules, if appropriate, may have to recognize that minimum service quality standards may not equally apply to all carriers, in all circumstances, and in all areas of the California. We invite parties to provide input in this key determination.

General Order (GO) 133-B, “Rules Governing Telephone Service,” in its current form, generally focuses on a series of technical parameters related to the basic functioning of the network. It measures such items as held orders, installations commitments, customer trouble report rates, call completion rates, dial tone speed, and answer times standards for toll operators, directory assistance, business office answers and repair call answers. GO 133-B was last revised in 1992, prior to the dramatic growth in consumer demand for additional telecommunications services and lines to customers’ premises, and prior to all but the earliest stages of competition development. It does not address many of the ways in which customers interact with their telecommunications providers and the expectations those customers may reasonably have for service.

GO 133-B is applicable to all telephone utilities providing service within the State of California. These utilities compile the service quality data on a monthly basis and report to the Commission on a quarterly basis for those reporting units not meeting the specified service level criteria for any month. These reports formed part of our monitoring of universal service under the new regulatory framework. (33 CPUC 2d at 197.)

Prior to its merger with GTEC, Contel had a “Rule 14” in its tariffs that provides a service guarantee to its customers. Rule 14 provided for the completion of repairs within 24-hours and for meeting installation commitments.

If Contel failed to complete repairs within the 24-hour timeframe or failed to meet an installation commitment, it would credit the customer an amount equal to one-month of local exchange “service and equipment” charges. The customer received the credit even if the failure was the result of “any act of God.”

GTEC also has tariff rules (Rules 18 and 19) which allow its customers to receive a credit when service installation or service repairs are not completed as agreed. GTEC’s residential and Universal Lifeline Telephone Service customers are eligible for a \$25 credit while business customers are eligible for a \$100 credit. There is a Service Quality Assurance Mechanism (SQAM) in effect for Citizens Telecommunications Company as a results of its last general rate case/NRF proceeding. No other incumbent telephone utilities or recent competitors are currently subject to a SQAM. There is no adopted SQAM mechanism for Pacific, nor does Pacific provide a service guarantee to its customers.

Commission staff conducts customer opinion surveys regarding the quality of telephone services provided by utilities. ORA has prepared survey reports showing improvements and/or deterioration in the quality of service of a utility as perceived by its customers. The most recent report was issued on September 1996 in connection with SBC Communication’s acquisition of Pacific Telesis Group in Application 96-04-038. Based on these survey results, ORA made recommendations for improving service quality for major utilities. These surveys provide valuable information regarding customer needs and expectations. Survey results have shown downward trends in the quality of service provided by the utilities. Staff also reviews the results of customer opinion surveys conducted by the utilities..

In addition, Consumer Services Division (CSD) and Telecommunications Division (TD) receive and review numerous customer complaints relating to

quality of service. Over the past five years, customer complaints regarding the quality of service have gone up considerably.

Since 1977, telephone utilities report to the Commission any major service interruptions. The staff receives and reviews these reports, analyzes the causes of service interruptions and makes recommendations to the Commission. In spite of this long history, the criteria for reporting major service interruptions is not yet a GO 133-B requirement. Staff believes criteria for major service interruptions reporting should be formalized and included as a revision to GO 133-B.

There is also a concern that service quality standards should recognize customers' need for high quality and reliable service and reflect changes in telecommunications technology. For example, standards that currently exist for *Dial Tone Speed* would appear moot as there are no longer any electromechanical switches left in California. It is also appropriate to consider whether the current standards for installation service, repair service, business office and repair service answering should be revised.

Finally our staff believes there should be an automatic SQAM for each service measure as an incentive to keep service quality from deteriorating.

Service quality is a significant issue in other states as well. Staff contacted other state utility regulatory commissions (PUCs) to obtain information on how competition and relaxation of regulations have impacted the quality of service in their respective states. Many state PUCs have revised their service quality rules and have added mechanisms to penalize the utilities for inadequate service performance. For example, in 1996, NYNEX was fined by the New York Public Service Commission (PSC) for providing inadequate service to its customers. In 1997, NYNEX's service quality improved although not sufficiently and the utility still paid approximately \$6 million in penalties. The Ohio PUC has adopted

standards that require 100% of installations be completed within five days and 100% of repairs be made within 24 hours. If an Ohio utility does not meet this standard, it is penalized. The Michigan Public Service Commission has also adopted financial penalties for inadequate service quality.

The National Regulatory Research Institute prepared a report on “Telecommunications Service Quality” with funding provided by participating member commissions of the National Association of Regulatory Utility Commissioners. This report was issued in March 1996 and addresses the need for maintaining high quality telecommunications services in competitive environments and emerging new technologies and services. The report states that tightening of service quality standards cannot be effective without adequate monitoring and sufficient enforcement to elicit compliance. This report also indicates that many state PUCs/PSCs have adopted financial penalties that are tied to service quality standards. If a utility fails to meet service quality standards, it is penalized for providing inadequate service.

As previously indicated, Commission staff conducts customer opinion surveys to evaluate customers’ perceptions regarding the quality of telephone services. The telecommunications industry is changing rapidly. More customers are using computers to obtain information and data from the Internet and other sources over telecommunications facilities. The number and type of telecommunications services are ever increasing. Customers are adding additional lines to their homes as they conduct business from home or telecommute. We have heard many reports of customer frustration with the long delays in reaching live representatives in utility business offices. In some areas, customers may have to wait for many months to get a second line. Customers’ perception that the quality of telephone service provided by local exchange

carriers has declined over the last few years is borne out by the numerous service complaints that CSD and TD have received.

The number of service quality complaints to the Commission is increasing. CSD received 2,492 complaints regarding telephone service from July 1, 1995 through June 30, 1996. The number of customer service complaints increased to 4,568 for the period of July 1, 1996 through June 30, 1997, indicating that problem is getting worse.

Additionally, for this same period, complaints related to missed commitments increased from 30 to 502 while complaints related to delayed installations increased from 171 to 703. This represents nearly a 1600% and over a 300% increase in missed commitments and delayed installations, respectively.

It is the purpose of this rulemaking to propose for comment a set of service quality standards and compliance mechanisms intended to address these and other service quality problems and set minimal standards for all customers.

Preliminary Scoping Memo

This rulemaking shall be conducted in accordance with Article 2.5 of the Commission's Rules of Practice and Procedure.¹ As required by Rule 6(c) (2) of Article 2.5, this order incorporates a preliminary scoping memo² as set forth below. In addition, this order sets the schedule, and assigns the presiding officer.

¹ The Rules of Practice and Procedure are posted at the Commission's web site at www.cpuc.ca.gov. Article 2.5 of the Commission's Rules implements many of the reforms contained in Senate Bill 906 (Ch. 856, Stats. 1996).

² Rule 5(m) defines "scoping memo" as an order or ruling describing the issues to be considered in a proceeding and the timetable for resolving the proceeding.

Scope of the Proceeding

Attached to this order is a draft revision to GO 133-B which was prepared by the staff of the Telecommunications Division. The draft revision generally endeavors to reflect approximately the average level of standard prevalent across the country. In this manner, while it does not reflect the barest minimum that might exist, neither does it represent the most stringent requirements.

The issue to be considered in this proceeding is the appropriateness of adopting the proposed General Order revisions.

This rulemaking proceeding will consist of two rounds of comments. Commenting parties are encouraged to address the attached proposal from several perspectives. This includes the following questions:

Does the current telecommunications marketplace warrant the adoption of revised service quality standards? Is the level of competition in the different telecommunications markets insufficient to cause competitors to compete on service quality? What current industry practices or lack thereof necessitate a change in service quality standards?

Do the proposed service quality topics address all issues of service quality with which the Commission should be concerned? If not, what additional areas of service quality should be addressed, in what manner and with what standard? Is the coverage overly inclusive? If so, what areas are inappropriate to include and why?

Are the technical standards themselves appropriate? Should they be more or less rigorous? What should they be and why?

Are the proposed means of measurement appropriate? If not, how should they be modified and why?

Are the proposed compliance mechanisms appropriate? If not, how should they be modified and why?

Are the proposed standards technology- and provider-neutral? If not, how can the standards be modified to be technology- and provider neutral?

Should the attached service quality standards apply to all telecommunication carriers in California? Is it appropriate to establish service quality standards for non-dominant providers? Would it be appropriate to establish two service quality standards, one for dominant and another for non-dominant providers? Please consider the broad definition of “telecommunications carrier” as you respond to this question, and indicate which service quality standards should be applicable to specific types of telecommunications carriers, whether differentiating by applicability of a type of standard or the specific numeric value of the standard.

What effect should the current evolution of competition in the telecommunications marketplace have on the adoption of these proposed service quality standards in the aggregate or on specific service quality standards and their corresponding technical requirements? Parties who believe adoption of such standards in any fashion is unnecessary because of the impact competition will have on service quality must specifically indicate the manner in which competition on its own will ensure that all competitors meet at least minimal customer service quality expectations. Parties who believe comparisons with service quality standards in other states are appropriate should provide specific information on the other states’ standards and compliance mechanisms. Respondent carriers who propose such comparisons should indicate each state in which they provide service and what the corresponding standards and compliance mechanisms are.

From a different perspective, what potential effects could the proposed service quality standards have on competition in the general telecommunications market? How do the proposed standards affect new entrants’ ability to compete with incumbent utilities?

Is the proposed SQAM a form of rate regulation for non-dominant providers over which we do not today exercise such regulation? Is the SQAM impermissible for carriers over which we do no authority to regulate their rates? Is the SQAM itself unnecessary given a competitive telecommunications landscape?

Parties are encouraged to be as complete and specific in their comments as possible. Comments that merely argue “do not apply this to me” will be given little consideration.

Need for Hearing

At this time hearings for the purpose of allowing cross examination of witnesses on contested matters of fact are not anticipated and will not be scheduled. In the event that any commenting parties believe that such hearings are required, they shall file a motion within 15 days after the filing of reply comments requesting hearings, identifying the specific comments or reply comments for which they believe hearings are necessary and why the comments themselves did not provide a sufficient explanation of the comments or complete basis on which the Commission can assess the competing positions.

Schedule

The schedule for this proceeding is as follows:

June 18, 1998	Rulemaking and Draft Scoping Memo Issued
June 18, 1998	Administrative Law Judge (ALJ) ruling requesting expressions of party interest
July 3, 1998	Parties serve ALJ with notice of intent to participate
July 10, 1998	Ruling establishes service list; posted at CPUC web site
July 20, 1998	Opening comments filed and served
August 10, 1998	Reply comments filed and served
August 25, 1998	Motions requesting hearings filed and served
September 9, 1998	Replies to motions requesting hearings filed and served
November 5, 1998	Commission decision on all matters except those that are demonstrated to require hearings.

Categorization

Pursuant to Rule 6(c)(2), this proceeding is preliminarily categorized as a quasi-legislative proceeding, as described in Rule 5.

Presiding Officer

Commissioner Conlon is the presiding officer in this proceeding, and ALJ O'Donnell is the assigned ALJ.

IT IS ORDERED that:

1. A rulemaking is initiated to determine prospectively the service quality standards, means of measurement, and methods of ensuring compliance that should be applicable to telecommunications carriers providing intrastate services within California.
2. All telecommunications carriers, whether certificated or registered are respondents.
3. Parties interested in participating shall serve the assigned Administrative Law Judge (ALJ) with a notice of their intention to participate no later than July 3, 1998.
4. The assigned ALJ shall establish a service list and post it on the Commission's World Wide web site no later than July 10, 1998.
5. Proposed rules are attached to this order as Attachment 1. Opening comments as described in this order shall be filed with the Commission and served on all parties no later than July 20, 1998. Reply comments as described in this order shall be filed and served no later than August 10, 1998.
6. Motions requesting hearings for the purpose of engaging in cross examination of witnesses to address disputed matters of fact shall be filed with the Commission and served on all parties no later than August 25, 1998. Replies to such motions shall be filed and served no later than September 9, 1998.

7. This proceeding is preliminarily determined to be a quasi-legislative proceeding and no hearings are required.

8. Commissioner P. Gregory Conlon is the presiding officer.

9. The Executive Director shall cause a copy of this order to be served on all respondent carriers, on all parties to Order Instituting Rulemaking (R.) 93-04-003/Order Instituting Investigation (I.) 93-04-002, R.95-01-020/I.95-01-021, R.95-04-043/I.95-04-044, R.97-01-009, and shall cause a copy of this order to be posted at the Commission's World Wide web site, identified by both its docket number and the title "Telecommunications Service Quality OIR."

This order is effective today.

Dated June 18, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

I will file a written concurrence.

/s/ P. GREGORY CONLON
Commissioner

We will file a written concurrence.

/s/ JESSIE J. KNIGHT, JR.
JOSIAH L. NEEPER

Commissioners

(See Attachment 1 on PC Docs 22024)

(See Formal Files on Commr. Written Concurrence)

(See Formal Files on Commrs. Knight and Neeper Written Concurrence)